



South Dakota Board of Technical Education

DRAFT

To: Board of Technical Education

From: Nick Wendell, Executive Director, Board of Technical Education

Re: FY25 Budget Request Recommendations

Date: 7/26/23

This memo is intended to outline recommended priorities for the FY25 budget request. These recommendations were developed by the Board of Technical Education (BOTE) staff and the college presidents, and were discussed among the board at the summer planning retreat. The final recommended priorities will be considered for approval by the BOTE during the regular board meeting on Thursday, August 1, 2023.

Recommended FY25 Budget Request Priorities

1. Per Student Allocation (PSA)

The PSA is appropriated based on the Full-time Equivalent (FTE) number from the previous academic year. In this case, I recommend we use the estimated FTE number from academic year 2022-2023 to project for the current fiscal year (2023-2024). That number is **5,691**.

I recommend an FY25 PSA request totaling **\$7,185.71**, up from \$5,777.18 in FY24. The FY25 request includes the inflationary rate increase, funding to support a tuition freeze, and ongoing support for equipment. The three components of the requested increase are outlined below.

a. Inflationary Rate Increase

Based on current circumstances, I recommend an inflationary rate increase of **3%**. The PSA for FY24 is \$5,777.18. A 3% increase would bring the FY25 PSA up to **\$5,950.49** (an increase of \$173.31/FTE). This increase will cover growing costs associated with many of the basic operations of an institution (i.e. utilities, safety and security, technology, and communication).

b. Tuition Freeze/Salary Enhancement

Approximately 55% of salary and benefits in the system are funded through tuition and fees paid by students. In order to freeze all tuition and fees in academic year 2024-2025 (FY25) and provide a salary policy equal to the inflationary rate (3%), I recommend requesting **\$1,029,160** in tuition freeze/salary enhancement funding. I recommend these dollars be distributed using the funding formula, which would bring the FY25 PSA up to **\$6,131.42** (an increase of \$180.93/FTE).

c. Equipment

Equipment is an essential component of delivering high-quality technical education and each of our budget requests since FY18 has included ongoing equipment support. To build a more sustainable model for equipment funding, I recommend requesting **\$6,000,000** in equipment funding. I recommend these dollars be distributed using the funding formula, which would bring the FY25 PSA up to **\$7,185.71** (an increase of \$1,054.29/FTE).

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2. **Maintenance and Repair (M&R)**

FY24 was year six of an intended six-year plan to reach a 1% to 1%, state to system match for Maintenance and Repair (M&R) funding. The FY24 appropriation (\$1,693,573) was based on a revised overall goal of 1.75% of total replacement value, with several other deviations between FY18 and FY24. I recommend we request continued support aimed at maintaining the initial 2% of total replacement value goal and a full 1% to 1% match. Continued implementation of the original plan would bring the FY24 appropriation to approximately **\$3,380,101** (this number may be adjusted when FY24 replacement valuations are completed).

The approximate increase in M&R support from the state would be **\$1,686,528** in FY25.

3. **Tuition Assistance**

Since FY17, the tuition assistance total has been **\$10/credit hour** with the system receiving approximately **\$1,831,820** in FY24. I recommend maintaining the current level in the FY25 request.

4. **Bonding Support**

Currently, the state contributes **27%** of the system's annual debt service. According to the South Dakota Healthcare and Educational Facilities Authority (SDHEFA), that total will be **\$1,884,000** in FY25, which is a **\$62,691** increase from the FY24 state contribution.

Summary of Requested Increases to Ongoing/One-Time Support

Description	FY25 (Request)	FY24 (Actual)	Difference
PSA	\$40,893,876	\$32,877,931	\$8,015,945
M&R	\$3,380,101	\$1,693,573	\$1,686,528
Tuition Assistance	\$1,831,820	\$1,831,820	-
Bonding Support	\$1,884,000	\$1,821,309	\$62,691
Equipment*	-	\$9,476,664	-\$9,476,664
Total	\$47,989,797	\$47,701,297	\$288,500

*Equipment funding received in FY24 came from the Governor's Office of Economic Development.

The requested FY25 Per Student Allocation (PSA) includes a 3% inflationary rate increase, funding to support a freeze to tuition and fees, and ongoing support for equipment. The requested FY25 M&R total equals a full one percent to one percent, state to system match.